

# *A New Inpatient Hospital Payment Method for Mississippi Medicaid*

## Pricing Examples

**October 25 Update**

*These pricing examples supersede previous editions of this document.*

This document includes examples of how claim payment will be calculated under the new DRG-based payment method. About 95% of claims will be priced as “straight DRG” claims, that is, the relative weight times the base price. The other examples cover special situations, such as cost and day outlier cases, prorated and transfer cases.

The new payment method will be implemented for dates of admission starting January 1, 2007. These principles are not applicable until then. See the end of this document for sources of more information on the new payment method.

The calculations use several payment parameters, such as the DRG Base Price and the DRG Cost Outlier Threshold. These values have been finalized.

To predict how a claim will be priced, there are eight questions to be answered:

**1) Is prior authorization required?**

- PA for admission is required for all stays, with two exceptions:
  - Stays for vaginal delivery under 3 days and for cesarean delivery under 5 days do not require PA but must be reported to the Medicaid quality improvement organization (HealthSystems of Mississippi).
  - Stays for normal newborns (type of admission = newborn within facility and length of stay under 5 days) require neither PA nor reporting.
  
- PA for the length of stay is required only when a stay exceeds the DRG Long Stay Threshold.

Payment Parameters Used in Pricing Examples	
DRG Base Price	\$3,897.78
DRG Interim Claim Per Diem Amt	\$375
DRG Interim Claim Day Threshold	30 days
DRG Marginal Cost Percentage	50%
DRG Cost Outlier Threshold	\$50,000
Cost-to-charge ratios	Hospital-specific
DRG Long Stay Threshold	19 days
DRG Day Outlier Statewide Amount	\$375
Mental health policy adjustor—adult*	1.51
Mental health policy adjustor—pediatric*	1.89
Transfer statuses	02, 07, 62, 63, 65, 66
* If separate adult and pediatric mental health policy adjustors cannot be put in place by January 1, 2007, then a single adjustor of 1.71 will be used in the interim.	

**2) What APR-DRG code does Medicaid assign?**

The DRG code will be assigned by the Medicaid claims processing system. Hospitals are not required to buy software and need not include the DRG code on the claim.

**3) Is it an interim claim?**

An interim claim has a frequency of 2 or 3. The frequency is the third digit of the type of bill, e.g., 112 or 113. Hospitals can receive an interim payment when the Medicaid Covered Days (length of stay) on a claim with frequency 2 or 3 exceed the DRG Interim Claim Day Threshold. In these cases, the payment will be the Medicaid Covered Days times the DRG Claim Per Diem Amount (\$375.00). Once the patient is discharged, the hospital would replace the interim claim with a claim covering the entire admit-through-discharge period.

**4) What is the DRG base payment?**

The DRG base payment equals the relative weight for that DRG times the DRG Base Price.

**5) Is a cost outlier payment made?**

(Physical health DRGs only.) A stay is defined as a cost outlier stay if the hospital's estimated loss exceeds the DRG Cost Outlier Threshold (\$50,000). The hospital's estimated loss equals the estimated cost of the stay (the charge times the hospital-specific cost-to-charge ratio) minus the DRG base payment. If the stay qualifies as a cost outlier stay, then the cost outlier payment equals the estimated loss times the DRG Marginal Cost Percentage (50%).

**6) Is a day outlier payment made?**

(Mental health DRGs 740-1 to 776-4 only.) A stay is a day outlier stay if the Medicaid Covered Days exceed the DRG Long Stay Threshold (19 days). If a stay qualifies as a day outlier stay then

$$\text{DRG Day Outlier Amt} = (\text{Medicaid Covered Days} - \text{DRG Long Stay Threshold}) \times \text{DRG Day Outlier Statewide Amt}$$

**7) Are any special adjustments made?**

There are two kinds of special adjustments.

- If the discharge status = 2, 7, 62, 63, 65 or 66 then the transfer adjustment applies.
- If the Medicaid Covered Days are less than the Length of Stay, then payment is prorated. In almost all cases, the entire length of stay is covered by Medicaid. In cases where this is not true, the Medicaid claims processing system will calculate the number of days that were covered.

**8) Any special debits?**

All the above calculations are used in calculating the Medicaid allowed charge (sometimes called the Medicaid allowed amount). When applicable, third-party liability amounts and patient co-payments are then deducted from the allowed charge to arrive at the Medicaid payment to the hospital.

## **For Further Information**

This is one of three key documents on the new payment method. The others are the Frequently Asked Questions and the DRG Rate List. All three documents are available on the websites of the Division of Medicaid ([www.dom.state.ms.us](http://www.dom.state.ms.us)) and ACS provider relations (<http://msmedicaid.acs-inc.com>).

Hospitals with questions should contact the Medicaid field representative who serves their area. If you don't know who your field rep is, contact Suzanne Danilson, Provider and Beneficiary Services Manager, ACS Government Healthcare Solutions, [suzanne.danilson@acs-inc.com](mailto:suzanne.danilson@acs-inc.com), 601-206-2936.

Technical questions about APR-DRGs, outliers, etc., can be directed to Kevin Quinn, Director, Payment Method Development, ACS Government Healthcare Solutions, [kevin.quinn@acs-inc.com](mailto:kevin.quinn@acs-inc.com), 406-457-9550.

Questions about Medicaid policy can be directed to Margaret King, Director, Bureau of Reimbursement, Mississippi Division of Medicaid, [rbmck@medicaid.state.ms.us](mailto:rbmck@medicaid.state.ms.us), 601-359-6155.

Questions about the hospital technical advisory group can be directed to Mary Patterson, Vice President, Mississippi Hospital Association, [mpatterson@mhanet.org](mailto:mpatterson@mhanet.org), 800-289-8884.

<b>1. Straight DRG Payment</b>		
1	Scenario	47 year old male - heart attack
2	Diagnoses	410.71, 424.0, 414.01, 401.9, 250.00, 305.1
3	Procedures (ICD-9-CM)	37.22, 99.20, 88.53, 88.56
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	1= Home
6	Billed charges	\$4,500
7	LOS	3 days
8	MCD Cov Days	3 days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	No MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	190-1 ACUTE MYOCARDIAL INFARCT
13	DRG Relative Weight	1.281
14	Nationwide average LOS	3.5
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$4,993.06 DRG Base Price x DRG Rel Wt (\$3,897.78 x 1.281)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	\$1,755.00 Billed Charges x CCR (\$4,500 x 39%)
19	Gain or loss on this case	Gain \$3,238 Estimated Cost - DRG Base Payment
20	Cost outlier case?	No
21	DRG Cost Outlier Amt	
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	No
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	No Discharge status does not indicate transfer
25	Make transfer adjustment	
26	Is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$4,993.06
29	Allowed Charge	\$4,993.06
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$4,993.06

## 2. Straight DRG Payment w Comorbidities

1	Scenario	47 year old male - heart attack, congestive heart failure, COPD	
2	Diagnoses	410.71, 428.0, 491.21, 782.3, 414.01, 272.4, 792.1, 250.00, 401.9	
3	Procedures (ICD-9-CM)	37.22, 88.53, 88.56	
<b>BASIC INFORMATION</b>			
4	Type of bill	111	3rd digit is frequency
5	Discharge status	1= Home	
6	Billed charges	\$25,000	
7	LOS	3 days	
8	MCD Cov Days	3 days	
9	Cost to charge ratio (CCR)	39%	Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>			
10	For admission	Yes	
11	For length of stay	No	MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>			
12	DRG Code	190-2	ACUTE MYOCARDIAL INFARCT
13	DRG Relative Weight	1.540	
14	Nationwide average LOS	4.4	
<b>IS IT AN INTERIM CLAIM?</b>			
15	Interim Claim Payment	No	Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt		
<b>WHAT IS THE DRG BASE PAYMENT?</b>			
17	DRG Base Payment	\$6,002.58	DRG Base Price x DRG Rel Wt (\$3,897.78 x 0.769)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>			
18	Estimated Cost of this case	\$9,750.00	Billed Charges x CCR (\$25,000 x 39%)
19	Gain or loss on this case	Loss \$3,747.42	Estimated Cost - DRG Base Payment
20	Cost outlier case?	No	Estimated Loss < \$50,000.00
21	DRG Cost Outlier Amt		
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>			
22	Day outlier case?	No	
23	DRG Day outlier Amt		
<b>ANY SPECIAL ADJUSTMENTS?</b>			
24	Is this a transfer case?	No	Discharge status does not indicate transfer
25	Make transfer adjustment		
26	Is this a prorated case?	No	MCD Cov Days = LOS
27	Make prorated adjustment		
<b>CALCULATION OF ALLOWED CHARGE</b>			
28	DRG Payment Amt	\$6,002.58	
29	Allowed Charge	\$6,002.58	
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>			
30	TPL		
31	Cost Sharing		
32	Final Payment	\$6,002.58	

<b>3. DRG Cost Outlier</b>		
1	Scenario	Thirteen year old boy with bone marrow transplant
2	Diagnoses	205.00, 288.0, 425.4, 518.81, 584.9, 785.51, 428.0, 790.6, 427.89
3	Procedures (ICD-9-CM)	41.06, 99.25, 96.04, 96.72, 38.93, 33.24, 39.95, 38.95, 99.04, 99.05
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	1= Home
6	Billed charges	\$640,000
7	LOS	73 Days
8	MCD Cov Days	73 Days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	Yes MCD Cov Days > 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	003-4 Bone Marrow Transplant
13	DRG Relative Weight	31.717
14	Nationwide average LOS	50.2
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$123,625.89 DRG Base Price x DRG Rel Wt (\$3,897.78 x 44.420)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	\$249,600.00 Billed Charges x CCR (\$640,000 x 39%)
19	Gain or loss on this case	Loss \$125,974.11 Estimated Cost - DRG Base Payment
20	Cost outlier case?	Yes Estimated Loss > \$50,000.00
21	DRG Cost Outlier Amt	\$62,987.06 Estimated Loss x Marginal Cost Percentage (50%)
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	No Discharge status does not indicate transfer
25	Make transfer adjustment	
26	Is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$186,612.94 DRG Base Payment + Cost Outlier Amount
29	Allowed Charge	\$186,612.94
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$186,612.94

## 4. Mental Health Stay - Adult Policy Adjustor

1	Scenario	Forty-eight year old male with schizophrenia	
2	Diagnoses	295.34, 599.0	
3	Procedures (ICD-9-CM)		
<b>BASIC INFORMATION</b>			
4	Type of bill	111	3rd digit is frequency
5	Discharge status	1 = Home	
6	Billed charges	\$22,000	
7	LOS	16	days
8	MCD Cov Days	16	days
9	Cost to charge ratio (CCR)	39%	Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>			
10	For admission	Yes	
11	For length of stay	No	MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>			
12	DRG Code	750-2	SCHIZOPHRENIA
13	DRG Relative Weight	2.129	Includes Mental Health Policy Adjustor of 1.51
14	Nationwide average LOS	11.1	
<b>IS IT AN INTERIM CLAIM?</b>			
15	Interim Claim Payment	No	Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt		
<b>WHAT IS THE DRG BASE PAYMENT?</b>			
17	DRG Base Payment	\$8,298.37	DRG Base Price * DRG Rel Wt (\$3,897.78 x 2.129)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>			
18	Estimated Cost of this case		
19	Gain or loss on this case		
20	Cost outlier case?	No	
21	DRG Cost Outlier Amt		
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>			
22	Day outlier case?	No	MCD Cov Days < 19 days
23	DRG Day Outlier Amt		
<b>ANY SPECIAL ADJUSTMENTS?</b>			
24	Is this a transfer case?	No	Discharge status does not indicate transfer
25	Make transfer adjustment		
26	Is this a prorated case?	No	MCD Cov Days = LOS
27	Make prorated adjustment		
<b>CALCULATION OF ALLOWED CHARGE</b>			
28	DRG Payment Amt	\$8,298.37	DRG Base Payment
29	Allowed Charge	\$8,298.37	
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>			
30	TPL		
31	Cost Sharing		
32	Final Payment	\$8,298.37	

<b>5. Mental Health Stay - Pediatric Policy Adjustor</b>		
1	Scenario	19 year old male with schizophrenia
2	Diagnoses	295.34, 599.0
3	Procedures (ICD-9-CM)	
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	1 = Home
6	Billed charges	\$ -
7	LOS	16 days
8	MCD Cov Days	16 days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	No MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	750-2 Schizophrenia
13	DRG Relative Weight	2.665 Includes Mental Health Policy Adjustor of 1.89
14	Nationwide average LOS	11.1
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$10,387.58 DRG Base Price x DRG Rel Wt (\$3,897.78 x 2.665)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	
19	Gain or loss on this case	
20	Cost outlier case?	No
21	DRG Cost Outlier Amt	
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	No
23	DRG Day Outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	No Discharge status does not indicate transfer
25	Make transfer adjustment	
26	Is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$10,387.58 DRG Base Payment
29	Allowed Charge	\$10,387.58
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$10,387.58

## 6. Mental Health Stay with Day Outlier

1	Scenario	Forty-eight year old male with major depressive disorder	
2	Diagnoses	296.32, 780.39, 300.0	
3	Procedures (ICD-9-CM)	94.27	
<b>BASIC INFORMATION</b>			
4	Type of bill	111	3rd digit is frequency
5	Discharge status	1 = Home	
6	Billed charges	\$22,000	
7	LOS	27	days
8	MCD Cov Days	27	days
9	Cost to charge ratio (CCR)	39%	Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>			
10	For admission	Yes	
11	For length of stay	Yes	MCD Cov Days > 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>			
12	DRG Code	751-4	MAJOR DEPRESSIVE DISORDER
13	DRG Relative Weight	4.571	
14	Nationwide average LOS	21.4	
<b>IS IT AN INTERIM CLAIM?</b>			
15	Interim Claim Payment	No	Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt		
<b>WHAT IS THE DRG BASE PAYMENT?</b>			
17	DRG Base Payment	\$17,816.75	DRG Base Price x DRG Rel Wt (\$3,897.78 x 2.411)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>			
18	Estimated Cost of this case		
19	Gain or loss on this case		
20	Cost outlier case?	No	
21	DRG Cost Outlier Amt		
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>			
22	Day outlier case?	Yes	MCD Cov Days > 19 days
23	DRG Day Outlier Amt	\$3,000.00	(MCD Cov Days - 19 days) x DRG Day Outlier Statewide Amount
<b>ANY SPECIAL ADJUSTMENTS?</b>			
24	Is this a transfer case?	No	Discharge status does not indicate transfer
25	Make transfer adjustment		
26	Is this a prorated case?	No	MCD Cov Days = LOS
27	Make prorated adjustment		
<b>CALCULATION OF ALLOWED CHARGE</b>			
28	DRG Payment Amt	\$20,816.75	DRG Base Payment + DRG Day Outlier Amt
29	Allowed Charge	\$20,816.75	
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>			
30	TPL		
31	Cost Sharing		
32	Final Payment	\$20,816.75	

<b>7. DRG Interim Claim</b>		
1	Scenario	Premature newborn
2	Diagnoses	65.14, 765.23, 769, 770.3, 772.14, 775.4, 775.7, 775.5, 276.1
3	Procedures (ICD-9-CM)	96.04, 96.71, 93.96, 38.91, 38.92, 38.93
<b>BASIC INFORMATION</b>		
4	Type of bill	112 3rd digit is frequency (2 = 1st interim claim)
5	Discharge status	30 Still a patient
6	Billed charges	\$35,000
7	LOS	31 days
8	MCD Cov Days	31 days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	Yes MCD Cov Days > 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	602-4 NEO BWT 1000-1248G W/RDS
13	DRG Relative Weight	17.434
14	Nationwide average LOS	59.1
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	Yes Frequency is 2 (1st interim claim)
16	DRG Payment Amt	\$11,625 MCD Cov Days x Interim Claim Per Diem Amount (\$375)
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	
19	Gain or loss on this case	
20	Cost outlier case?	No
21	DRG Cost Outlier Amt	
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	No
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	No Discharge status does not indicate transfer
25	Make transfer adjustment	
26	Is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$11,625
31	Allowed Charge	\$11,625
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
32	TPL	
33	Cost Sharing	
34	Final Payment	\$11,625

<b>8. DRG Transfer</b>		
1	Scenario	Fifty-six year old female with subarachnoid hemorrhage
2	Diagnoses	430, 276.1, 518.0, 401.9, 250.00, 305.1, 451.82, 492.0, 272.4
3	Procedures (ICD-9-CM)	88.41
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	2 = Hosp Patient Status Code = 02
6	Billed charges	\$23,114
7	LOS	4 days
8	MCD Cov Days	4 days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	No MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	044-3 Intracranial hemorrhage
13	DRG Relative Weight	2.388
14	Nationwide average LOS	7.4
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$9,307.90 DRG Base Price x DRG Rel Wt (\$3,897.78 x 2.388)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	\$9,014.46 Billed Charges x CCR (\$23,114 x 39%)
19	Gain or loss on this case	Gain \$293.44 Estimated Cost - DRG Base Payment
20	Cost outlier case?	No
21	DRG Cost Outlier Amt	
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	No
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	Yes Patient Status Code = 02
25	Make transfer adjustment	\$6,289.12 $((\text{DRG Base Payment} / \text{ALOS}) \times (\text{MCD Cov Days} + 1))$ or $((\$9,308 / 7.4) \times (4 + 1))$
26	is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$6,289.12
29	Allowed Charge	\$6,289.12
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$6,289.12

## 9. DRG Transfer but No Pricing Adjustment

1	Scenario	Fifty-six year old female with subarachnoid hemorrhage	
2	Diagnoses	430, 276.1, 518.0, 401.9, 250.00, 305.1, 451.82, 492.0, 272.4	
3	Procedures (ICD-9-CM)	88.41	
<b>BASIC INFORMATION</b>			
4	Type of bill	111	3rd digit is frequency
5	Discharge status	2 = Hosp	Patient Status Code = 02
6	Billed charges	\$50,000	
7	LOS	8	days
8	MCD Cov Days	8	days
9	Cost to charge ratio (CCR)	39%	Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>			
10	For admission	Yes	
11	For length of stay	No	MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>			
12	DRG Code	044-3	Intracranial hemorrhage
13	DRG Relative Weight	2.388	
14	Nationwide average LOS	7.4	
<b>IS IT AN INTERIM CLAIM?</b>			
15	Interim Claim Payment	No	Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt		
<b>WHAT IS THE DRG BASE PAYMENT?</b>			
17	DRG Base Payment	\$9,307.90	DRG Base Price x DRG Rel Wt (\$3,897.78 x 2.388)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>			
18	Estimated Cost of this case	\$19,500.00	Billed Charges x CCR (\$50,000 x 39%)
19	Gain or loss on this case	Loss \$10,192.10	Estimated Cost - DRG Base Payment
20	Cost outlier case?	No	Estimated Loss < \$50,000
21	DRG Cost Outlier Amt		
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>			
22	Day outlier case?	No	
23	DRG Day outlier Amt		
<b>ANY SPECIAL ADJUSTMENTS?</b>			
24	Is this a transfer case?	Yes	Patient Status Code = 02
25	Make transfer adjustment	\$9,307.90	$((\text{DRG Base Payment} / \text{Nationwide Avg. LOS}) \times (\text{MCD Cov Days} + 1))$ or $((\$9,308 / 7.4) \times (8 + 1))$ exceeds DRG Base Payment
26	Is this a prorated case?	No	MCD Cov Days = LOS
27	Make prorated adjustment		
<b>CALCULATION OF ALLOWED CHARGE</b>			
28	DRG Payment Amt	\$9,307.90	
31	Allowed Charge	\$9,307.90	
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>			
32	TPL		
33	Cost Sharing		
34	Final Payment	\$9,307.90	

<b>10. DRG Prorated</b>		
1	Scenario	Fifty-six year old female with subarachnoid hemorrhage
2	Diagnoses	430, 276.1, 518.0, 401.9, 250.00, 305.1, 451.82, 492.0, 272.4
3	Procedures (ICD-9-CM)	88.41
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	1= Home
6	Billed charges	\$50,000
7	LOS	19 Days
8	MCD Cov Days	4 Days
9	Cost to charge ratio (CCR)	39% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	No MCD Cov Days less than or equal to 19 days
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	044-3 Intracranial hemorrhage
13	DRG Relative Weight	2.388
14	Nationwide average LOS	7.4
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$9,307.90 DRG Base Price x DRG Rel Wt (\$3,897.78 x 2.388)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	\$19,500 Billed Charges x CCR (\$50,000 x 39%)
19	Gain or loss on this case	Loss \$10,192.10 Estimated Cost - DRG Base Payment
20	Cost outlier case?	No Estimated Loss < \$50,000
21	DRG Cost Outlier Amt	
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	No Discharge status does not indicate transfer
25	Make transfer adjustment	
26	Is this a prorated case?	Yes MCD Cov Days < LOS
27	Make prorated adjustment	\$6,289.12 $((\text{DRG Base Payment} / \text{Nationwide Avg. LOS}) \times (\text{MCD Cov Days} + 1))$ i.e., $(\$9,308 / 7.3) \times (4 + 1)$
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$6,289.12
29	Allowed Charge	\$6,289.12
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$6,289.12

<b>11. DRG Cost Outlier, Transfer</b>		
1	Scenario	Newborn with respiratory diagnosis on ventilator
2	Diagnoses	486, 572.2
3	Procedures (ICD-9-CM)	96.72, 88.72, 38.95
<b>BASIC INFORMATION</b>		
4	Type of bill	111 3rd digit is frequency
5	Discharge status	2 Patient Status Code = 02
6	Billed charges	\$250,180
7	LOS	10 Days
8	MCD Cov Days	10 Days
9	Cost to charge ratio (CCR)	36.410% Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>		
10	For admission	Yes
11	For length of stay	No MCD Cov Days less than or equal to 19
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>		
12	DRG Code	130-3 RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR
13	DRG Relative Weight	6.835
14	Nationwide average LOS	14.9
<b>IS IT AN INTERIM CLAIM?</b>		
15	Interim Claim Payment	No Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt	
<b>WHAT IS THE DRG BASE PAYMENT?</b>		
17	DRG Base Payment	\$26,641.33 DRG Base Price * DRG Rel Wt (\$3,897.78 x 6.835)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>		
18	Estimated Cost of this case	\$91,091 Billed Charges * CCR (\$250,180 x 36.410%)
19	Gain or loss on this case	Loss \$71,422.44 Estimated Cost - (DRG Base Payment after transfer adjustment)
20	Cost outlier case?	Yes Estimated Loss > \$50,000.00
21	DRG Cost Outlier Amt	\$35,711.22 Estimated Loss * Marginal Cost Percentage (50%)
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>		
22	Day outlier case?	No
23	DRG Day outlier Amt	
<b>ANY SPECIAL ADJUSTMENTS?</b>		
24	Is this a transfer case?	Yes Discharge status = 2
25	Make transfer adjustment	\$19,668.09 (((DRG Base Payment / Nationwide Avg. LOS) x (MCD Cov Days + 1)), i.e., (\$26,641.33/14.9) x (10 + 1)
26	Is this a prorated case?	No MCD Cov Days = LOS
27	Make prorated adjustment	
<b>CALCULATION OF ALLOWED CHARGE</b>		
28	DRG Payment Amt	\$55,379.31 DRG Base Payment (adj'd for tsf) + Cost Outlier Amount
29	Allowed Charge	\$55,379.31
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>		
30	TPL	
31	Cost Sharing	
32	Final Payment	\$55,379.31

## 12. DRG Cost Outlier Case, Prorated

1	Scenario	Newborn with respiratory diagnosis on ventilator	
2	Diagnoses	486, 572.2	
3	Procedures (ICD-9-CM)	96.72, 88.72, 38.95	
<b>BASIC INFORMATION</b>			
4	Type of bill	111	3rd digit is frequency
5	Discharge status	1 = Home	
6	Billed charges	\$250,180	
7	LOS	20	Days
8	MCD Cov Days	10	Days
9	Cost to charge ratio (CCR)	36.410%	Hospital-specific ratio
<b>IS PRIOR AUTHORIZATION REQUIRED?</b>			
10	For admission	Yes	
11	For length of stay	No	MCD Cov Days less than or equal to 19
<b>WHAT APR-DRG CODE DOES MEDICAID ASSIGN?</b>			
12	DRG Code	130-3	RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR
13	DRG Relative Weight	6.835	
14	Nationwide average LOS	14.9	
<b>IS IT AN INTERIM CLAIM?</b>			
15	Interim Claim Payment	No	Frequency is 1 (admit-thru-discharge)
16	DRG Payment Amt		
<b>WHAT IS THE DRG BASE PAYMENT?</b>			
17	DRG Base Payment	\$26,641.33	DRG Base Price * DRG Rel Wt (\$3,897.78 x 6.835)
<b>IS A COST OUTLIER PAYMENT MADE? (All DRGs except mental health DRGs are eligible)</b>			
18	Estimated Cost of this case	\$91,091	Billed Charges * CCR (\$250,180 x 36.410%)
19	Gain or loss on this case	Loss \$64,449.21	Estimated Cost - DRG Base Payment
20	Cost outlier case?	Yes	Estimated Loss > \$50,000.00
21	DRG Cost Outlier Amt	\$32,224.61	Estimated Loss * Marginal Cost Percentage (50%)
<b>IS A DAY OUTLIER PAYMENT MADE? (Only mental health DRGs 740-1 to 776-4 are eligible.)</b>			
22	Day outlier case?	No	
23	DRG Day outlier Amt		
<b>ANY SPECIAL ADJUSTMENTS?</b>			
24	Is this a transfer case?	No	Discharge status does not indicate transfer
25	Make transfer adjustment		
26	Is this a prorated case?	Yes	MCD Cov Days < LOS
27	Make prorated adjustment	\$43,458.07	$\frac{((\text{DRG Base Payment} + \text{DRG Cost Outlier Amt}) / \text{Nationwide Avg. LOS}) \times (\text{MCD Cov Days} + 1)}{10 + 1}$ i.e., $\frac{(\$26,641 + \$43,457) / 14.9 \times (10 + 1)}{10 + 1}$
<b>CALCULATION OF ALLOWED CHARGE</b>			
28	DRG Payment Amt	\$43,458.07	DRG Base Payment + Cost Outlier Amount, prorated
29	Allowed Charge	\$43,458.07	
<b>CALCULATION OF MEDICAID PAID AMOUNT</b>			
30	TPL		
31	Cost Sharing		
32	Final Payment	\$43,458.07	